ADDI TALKING POINTS

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Impact of Iraqi Airstrikes on Iran's Economy

Recent Iraqi air attacks on Iran's oil refining and export systems have substantially increased the pressure on an economy already reeling from low oil prices and increased war spending. These problems are likely to cause popular unrest in the coming months, particularly if the pending Iranian offensive fails.

Iraqi attacks on refineries and pumping stations are causing shortages of gasoline, heating fuel and electricity that are likely to become more severe in the coming months.

Iraq may be preparing to hit

Iran's petroleum import terminal--imports account for 15 percent of consumption.

M. Bahregan

--Tehran will probably meet military fuel needs first, making civilian

Iraqi attacks, bad weather and technical problems have reduced oil exports and worsened Iran's shortage of foreign exchange.

shortages worse.

-- Iran's oil exports since early August have been about 1.1 million b/d--600,000 b/d below its OPEC quota.

activating offshore loading terminals north of the island.

-- Iran is urgently seeking assistance from foreign companies--including
US firms--to rebuild and service oil facilities damaged by Iraqi

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attack or otherwise in poor condition.

--Tehran has even offered US businesses an opportunity to settle claims against Iran dating back to the revolution in exchange for oil services.

Low oil prices and increased military expenditures have already weighed heavily on the Iranian people.

-- Prices on consumer goods have risen sharply since spring.

--Foreign exchange shortages have caused widespread layoffs and shortages of food and other commodities.

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--Government ministries have been ordered to cut salary expenditures by 20 percent and other expenses by 40 percent.

Tehran is concerned about the impact of economic problems on public morale, especially if the upcoming offensive fails.

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ter could kyt y. -- A shortage of heating and diesel fuel with the onset of winter cause serious unrest.

- -- In previous years less serious shortages have provoked demonstrations.
- --Majles Speaker Rafsanjani has warned against overoptimistic expectations of victory, fearing the consequences of pent-up frustration over the war and economic privations.

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Iraqi Damage to Iranian Oil Facilities

Oil Refineries

Iraqi air attacks have damaged Iranian oil refineries at Tehran, Esfahan, Tabriz, Lavan, and Bakhtaran. These refineries are 95% of Iran's 700,000 barrel per day capacity.

Oil Export Terminals

Baghdad has attacked Iranian oil export terminals and storage tanks at Khark Island, Sirri Island, and Lavan Island. The T-jetty on the east side of Khark Island is out of operation. Two of the four Sea Island terminals on the west side are damaged. In addition, Iraq has damaged the Ganaveh pipelines that supply oil to Khark.

Tanker Shuttle System

Numerous Iraqi attacks on Iran's shuttle tankers have disrupted Tehran's ability to move oil from Khark Island to export terminals at Sirri and Larak Islands.

Pumping Stations

Baghdad has damaged pumping stations at seven major oil fields: Ahvaz, Marun, Agha Jari, Gurren, Amidia, Gach Saran, and Bibi Hakimeh.

Iraq severely damaged five pumping stations on pipelines that supply the Tehran, Esfahan, and Tabriz refineries.

Gas-Oil Separation Plants

Iraq has damaged at least 12 gas-oil separation plants located at the Ahvaz, Marun, Gach Saran, and Bibi Hakimeh oil fields.

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AN-IRAQ: Deve	elopments	
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	arations for Iran's fall offensive are continuing, but uiting and logistic problems may force a delay.	25)
.•	many Iranian training camps are s	25)
	ily occupied, although at Ahvaz at least 30 buses may have	
. move	ed some troops to the front.	25
a res	had problems recruiting new soldiers and ult delayed the offensive from September until at least early	as 2:
Octol	ber.	25>
would anniv that a	mbly Speaker Rafsanjani had stated earlier that new battalion d be at the front by last Monday. In speeches this week on the versary of the war, other Iranian political leaders have suggested final defeat of Iraq, although ultimately inevitable, may not rethis year.)
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Comr	ment: The preparations this week indicate Tehran still intends	
to ma	ake a major push in the south. The commanders' meetings ma been used to coordinate the offensive. The Iranians are in a	y
	on to launch the initial series of attacks—possibly in the centr	ral
front-	—at any time. Problems with recruiting, supporting, and training	na
the la	rge force Iran claims to have mobilized, however, are likely to	_
contir	nue. Iran could benefit from the delay, nevertheless, because i	
increa	ases the time Iraqi forces must remain on alert.	25) 25)
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